IN THE

Supreme Court of the United States

OCTOBER TERM, 1943.

No. 398.

HAZEL-ATLAS GLASS COMPANY, *Petitioner*

v

HARTFORD-EMPIRE COMPANY, *Respondent.*

No. 423.

SHAWKEE MANUFACTURING COMPANY, GLENSHAW GLASS COMPANY, McKEE GLASS COMPANY, GEORGE R. HAUB, *Petitioners.*

v.

HARTFORD-EMPIRE COMPANY, *Respondent.*

On Writs of Certiorari to the United States Circuit Court of Appeals for the Third Circuit.

RESPONDENT'S REPLY TO THE BRIEF OF THE UNITED STATES AS AMICUS CURIAE.

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February 11, 1944.

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This memorandum is filed pursuant to leave granted at the oral argument.

I.

In our briefs, heretofore filed, and in oral argument, we have stated the facts as shown by the record. On certain points the government's brief materially departs from the

record. We shall not further argue these matters beyond four specific comments as follows:

(a) The government's brief unwarrantedly asserts, pages 4, 9, 28 and 29, that the Clarke article was responsible for the grant of the Peiler patent. The fact is that it was not. The application was rejected three times after the filing of the article in the Patent Office, and was only allowed, more than a year after the filing of the Clarke article, on proof of Peiler's priority over a Howard patent. (See our brief at No. 398, pp. 16-17.) The priority of Peiler over Howard is not challenged in the briefs of either of the opposing parties, or in the government's brief.

(b) The government's brief erroneously states, page 7, that it was proven in the anti-trust case at Toledo that "Hatch had been active in suppressing evidence" regarding the Clarke article "during Hazel's investigation" of that subject, and that Hatch on behalf of Hartford had paid Clarke $8,000 "soon after Hazel's investigation started". The facts are set out in our brief at No. 398, pages 62-6.

A reading of the *affidavit* of Hazel's professional detective McCarthy (No. 398, R. 193) will show, contrary to what is asserted by Hazel to be shown by McCarthy's report (No. 398, R. 25), that Clarke did not, on McCarthy's second visit, deny the connection of Hartford with the preparation of the article. While Clarke refused to give McCarthy any statement or affidavit at the time, he also said "of course if I am subpoenaed I will give all the facts as I know them. I would not perjure myself for anyone." (No. 398, R. 24.)

There was no connection whatever between the Hazel investigation and the payments to Clarke. (See our brief at No. 398, p. 62 *et seq.*)

(c) The government's brief, pages 30-31, refers to *Hartford-Empire* v. *Coe.*, 87 Fed. (2d) 741, in support of the proposition that Hartford "further employed" the favor-

able decision in the Hazel infringement suit "thus securing additional patents in the glass making field". It is true that in the *Coe* case, Hartford laid stress on the decision in the *Hazel* case, but it is also true that the court in the *Coe* case rested its decision on other data and decisions. It is submitted that a reading of the *Coe* decision will show that it did not result from Hartford's favorable decision in the *Hazel* case. Interesting to note, the court in the *Coe* case referred at length to the decision of the Eighth Circuit Court of Appeals in the *Obear-Nester* case, wherein that court reached conclusions on the prior art directly contrary to the conclusions of Judge GIBSON in the *Hazel* case. The court deciding the *Coe* case agreed with that Court of Appeals.

(d) The government's brief reiterates scores of times the charge of "fraud" against respondent. In contrast is the significant fact that the government's brief nowhere asserts that the article contained any untruth whatever, or that Clarke did not in good faith adopt it as his own, or that it did not correctly state Clarke's own knowledge and belief.

II.

The unclean hands doctrine is not applicable to either the Hazel or the Shawkee infringement suit. Since the Clarke article was true, since it was in fact Clarke's article when used, and since Hazel's counsel had elected not to challenge it because the challenge would merely emphasize its truth (see our brief at No. 398, pp. 54-5), there is no factual basis for the application of the unclean hands doctrine to the Hazel case.

It seems plain from the concessions made by counsel for Shawkee at the argument that in the Shawkee infringement suit the validity of the patent was "not disputed" (it was in fact admitted—see p. 6, *infra*), and that the Clark article was not referred to at all. The only question was

infringement; more specifically whether Shawkee was using the feeder of the expired Hitchcock patent. Both the District Court and the Court of Appeals held against Shawkee on that issue of *fact*. And see our brief at No. 423, p. 10.

Quite apart from these matters, however, the power of the Circuit Court of Appeals to recall its mandate and reassume jurisdiction over the cases ended with the terms in which the respective mandates were sent down (see our brief at No. 398, pp. 25-8), and consequently, it could not, as a matter of law, have ordered dismissal of the bills.

The lack of power in the Court of Appeals is not a mere self-imposed custom, as the government's brief contends (p. 12) but is statutory (See our brief at No. 398, p. 27). We are not here concerned with the powers of the District Court (cf. the government's brief, p. 13) but only with the present power of the Court of Appeals in the premises.

III.

The government urges, brief p. 26, that if an applicant practices a fraud upon the Patent Office, and a patent thereafter issues, the patent owner should be denied all equitable relief against infringers on the ground of unclean hands. It urges this "even though the fraud was not essential to the issuance of the patent" (brief, p. 3). It would have the Court declare a sort of attainder to be saddled upon the patent throughout its entire life, nullifying the terms of the patent grant provided by the statute (35 U. S. C. 40) and precluding an injunction or accounting, no matter how inconsequential or ineffective the "fraud" or how gross and deliberate the infringement.

It has long been held by this Court that fraud in the procurement of a patent is not a defense to an action for infringement. *Rubber Co.* v. *Goodyear*, 9 Wall. 788; *Railway Co.* v. *Dubois*, 12 Wall. 47; *Mowry* v. *Whitney*, 14 Wall. 434. The *Goodyear* and *Mowry* cases were in equity, yet this Court did not hold that the fraud alleged constituted un-

clean hands, although the nature of the fraud in those cases was of far greater consequence and far more intimately related to the grant of the patent than is claimed in the case at bar. Indeed, in the *Mowry* case, which was for infringement of a patent that had been extended under the law then existing, the allegation of the defendant, taken as true for purposes of decision, was that the extension had been procured by fraud. Yet this Court rejected the defense.

The reason for these holdings is plain. An inventor, by taking out a patent, publishes to the world a creation which he might have kept to himself, and the public receives the benefit. This is the consideration he gives for the patent contract. If he in fact discloses a real invention, why, absent a contrary statutory condition, should the patentee and his assignees* be deprived of the limited right of exclusion which was held out to him as an inducement to make that disclosure? And, since the public has irrevocably taken the benefit of the disclosure, why, absent a statutory condition, should it refuse to give the patentee what it promised by the statute to give him?

It is significant that although the cases upon the subject go back for three quarters of a century, and Congress has since enumerated the defenses available to infringers**, it has never chosen to make fraud in the procurement of the patent a defense.

The government's brief, p. 31, admits that "a defendant in an infringement suit may not attack the validity of a patent on the ground of fraud," and that "the Government alone may maintain an action for the cancellation of a patent." The government says it is not asking that the patent be held invalid, but does ask that enforcement of it be refused in equity. We submit that the government is ask-

* It will be observed that if the government's contention be adopted even an innocent purchaser of the patent for value would be penalized.

** See R. S. 4920, 35 U. S. C. § 69, enacted March 3, 1897, and reenacted August 5, 1939.

ing that there be done indirectly what it concedes cannot be done directly. The very essence of the patent grant is exclusion. (35 U. S. C. § 40.)

Under the government's present contention, patentees would be forever subject to the danger that some court might be persuaded there had been a fraudulent representation to the Patent Office and hold the patent to be unenforceable thereafter, even though the representation was wholly immaterial to the grant (Govt. brief, p. 3).

In considering the application to the instant case of the proposition just stated, it is significant that although the government, knowing the facts regarding the Clarke article, filed its anti-trust suit in Toledo in 1939, it did not seek to have the Peiler patent annulled; it filed a brief *amicus curiae* in the court below in 1941 but there said it was not "now taking steps to have the patent here involved annulled" (No. 423, R. 48); and it has not now brought such an action and does not suggest any intention to do so, although it asserts that it "does in proper cases" do so (see the government's brief, p. 31, footnote).

Nor does the government's brief challenge the validity of the Peiler patent or deny that it discloses a real contribution to the glass art. The Shawkee petitioners, Glenshaw and McKee, admitted in their answer that they had "acknowledged and recognized and still continue to acknowledge and recognize" the validity of the Peiler patent (No. 423, R. 63).

The evils of a policy such as the government contends for are recognized and fully discussed by this Court in *Mowry* v. *Whitney*, 14 Wall. 434, *supra*.

The government's contention goes far beyond any of the cases on the subject of unclean hands. In the *Keystone Driller* case, 290 U. S. 240 (govt. brief pp. 22, 26, 30) this Court said the unclean hands doctrine was applicable only where there were "such violations of conscience as in some

measure affect the equitable relations *between the parties* in respect of something brought before the Court for adjudication" (emphasis ours). And the Court of Appeals in that case indicated that, the facts being fully known, the patent owner might institute new suits. 62 F. (2d) 48, 51. Indeed, the patent was subsequently litigated and was considered by this Court on its merits. *Keystone Driller Co.* v. *Northwest Engineering Co.*, 294 U. S. 42. It is inconceivable that if this Court had deemed that an attainder was saddled on the patent by the unclean hands decision in 290 U. S. 240 it would have done anything other than dismiss the complaint in the *Northwest Engineering* case on that ground.

In the *Morton Salt* case, 314 U. S. 488 (govt. br. pp. 10, 27, 28, 29) this Court said that "Undoubtedly 'equity does not demand that its suitors shall have led blameless lives' ", and indicated that when the practices therein found objectionable had been ended and the results of past misconduct had been fully dissipated, equity would no longer deny relief (314 U. S. p. 493).

The decisions typified by the *Morton Salt* case and the *Mercoid* case (govt. br. pp. 10, 13, etc.) stand for a principle wholly different from that for which the government contends in the case at bar. Those cases involved the wrongful use of a patent, *after* issue, in an attempt to create or maintain a monopoly outside that measured by the patent claim. They held the patent to its lawful scope and refused its enforcement, where to do so would in fact enforce a monopoly uncountenanced or forbidden by the law. In those cases this Court acted *in personam* and condemned, not the patent, but the current acts of the patent owner in creating or maintaining an unpatented monopoly. Here, the government would have the Court act *in rem* and forever attaint a patent for acts which were ended *before* the patent ever issued, even though those acts were not essential to the

grant of the patent, and in the absence of any misuse of the patent grant.

Respectfully submitted,

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February 11, 1944.